

Decision No. 28552

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PORT OF STOCKTON GRAIN TERMINAL )  
for an order authorizing the issue ) Application No. 20329  
of stock. )

Nutter, Rutherford and D. R. Jacobs, for applicant.

BY THE COMMISSION:

O P I N I O N

**ORIGINAL**

Port of Stockton Grain Terminal asks permission to issue \$200,000.00 par value of 5% noncumulative preferred stock, \$100,000. of such stock to be issued to the Delta Warehouse Company, and \$100,000. to the Stevenson Co., Inc. in payment of indebtedness due them.

Port of Stockton Grain Terminal is a corporation duly organized and existing under and by virtue of the laws of the State of California. It was organized on or about April 3, 1934. Under its Articles of Incorporation applicant, among other things, may engage in a general warehouse business. It is now engaged in the warehouse business at Stockton.

The properties of applicant are located on land owned by the Stockton Port District in the City of Stockton about three miles west of the center of the city on the Borden highway and the Stockton channel. Under the authority heretofore granted by the Commission applicant has issued 250 shares (\$25,000. par value) of its common capital stock which is now owned and held as follows:-

Stevenson Co., Inc. ....	122	shares
Delta Warehouse Company....	122	"
E. D. Wilkinson .....	1	share
T. D. Stevenson .....	1	"
Phil O'Connell.....	1	"

In addition to owning outstanding stock Stevenson Co., Inc. had up to October 11, 1935 advanced to applicant \$95,000.00 and Delta Warehouse Company \$99,000. It is understood that the former will advance applicant \$5,000. additional and the latter, \$1,000. The monies advanced to applicant have been used to acquire and construct properties.

As of October 11, 1935 Port of Stockton Grain Terminal reports assets and liabilities as follows:-

ASSETS

Cash on hand and in bank.....	\$1,367.56	
Accounts receivable .....	<u>20,581.90</u>	
Total current assets .....		\$ 21,949.46

Buildings .....	\$118,458.40	
Machinery .....	88,642.01	
Equipment .....	12,343.04	
Office furniture and equipment .....	830.80	
Total plant and equipment.....	<u>\$220,274.25</u>	
LESS reserve for depreciation .....	<u>9,074.68</u>	
Net book value of property.....		211,199.57

Electrical material on hand .....	\$ 83.27	
Prepaid insurance .....	1,374.88	
SACKS .....	958.00	
Supplies on hand (Estimated).....	<u>700.00</u>	
Total assets .....		<u><u>3,116.15</u></u>
		<u><u>\$236,265.18</u></u>

LIABILITIES

Accounts payable .....	\$ 2,208.86	
Accrued rent .....	4,141.72	
Accrued taxes (Estimated) .....	<u>1,071.14</u>	
Total current liabilities.....		\$ 7,421.72

Stevenson Company, Inc. ....	\$ 95,000.00	
Delta Warehouse Company .....	<u>99,000.00</u>	
Total cash advanced by stockholders.....		194,000.00

Capital stock .....	\$ 25,000.00	
Undivided profits, May 31, 1935.....	2,703.29	
Profit and loss, June 1, 1935 to Oct. 11, 1935 .....	<u>7,140.17</u>	
Total capital worth .....		<u>34,843.46</u>
Total liabilities.....		<u><u>\$ 236,265.18</u></u>

From June 1, 1934 to October 11, 1935 the company reports operating revenues of \$60,919.45 and a net profit of \$7,140.17.

To pay the indebtedness due Stevenson Co., Inc. applicant asks permission to issue \$100,000. of its noncumulative 5% preferred stock, and to pay its indebtedness due Delta Warehouse Company, \$100,000. of its noncumulative 5% preferred stock.

Applicant proposes to amend its articles of incorporation so as to provide for an authorized stock issue of 5,250 shares, having an aggregate par value of \$525,000.00. The number of authorized preferred shares are to be 2500 and the number of authorized common shares, 2750. The articles of incorporation are to provide that the holders of the preferred shares shall be entitled when and as declared by the Board of Directors, to dividends out of any funds of the corporation at the time legally available for declaration of dividends, at the rate of, but not exceeding 5% per annum of the par value of such shares for any fiscal year, payable in preference and priority to any payment of any dividend on common shares for such fiscal year and payable quarterly or otherwise as the Board of Directors from time to time may determine. The right to such dividends on the preferred stock shall not be cumulative, and no right shall accrue to the holders of preferred shares by reason of the fact that dividends on said shares are not declared in any prior year or years. The corporation reserves the right at the option of its Board of Directors to redeem the whole or any part of the preferred shares by paying therefor in cash 100% of the par value thereof plus an amount equal to all dividends thereon declared but unpaid, on the date fixed for redemption. In the event of a voluntary liquidation, dissolution or winding up of the corporation, the holders of preferred shares shall be entitled to receive out of the assets of the corporation an amount equal to 100% of the par value of such preferred shares, and a further amount equal to any dividends thereon declared and unpaid to the date of such distribution, and no more, before any payment shall be made or any assets distributed to the

holders of common shares. The articles of incorporation are to further provide that the holders of common shares issued and outstanding except where otherwise provided by law, or by the articles of incorporation, shall have and possess the exclusive right to notice of shareholder's meetings, and the exclusive voting rights and powers, and the holders of the preferred shares shall not be entitled to any notice of shareholders' meetings or to vote upon the election of directors or upon any questions affecting the management or affairs of the corporation, except where such notice or vote is required by law or by these articles of incorporation.

We have considered applicant's request to issue \$200,000. par value of its noncumulative 5% preferred stock and believe that the issue of \$200,000. of such stock will result in an unbalanced capital setup for this corporation. As stated, it now has outstanding \$25,000. of common stock. If this application were granted its preferred stock would represent about 88.8% of its capitalization and its common stock, 11.1%. It occurs to us that the preferred stock issued by applicant against its present assets should not exceed \$135,000. Of this stock, \$67,500. may be issued to Stevenson Co., Inc. in payment of \$67,500. of indebtedness due it, and \$67,500. to Delta Warehouse Company in payment of \$67,500. of debt due it. The remainder of the indebtedness due these two corporations, namely \$65,000., should be paid through the issue of common stock. Permission to issue said \$65,000. of common stock should be the subject matter of a supplemental application. Its issue will be authorized if an appropriate supplemental application is filed.

We are further of the opinion that applicant's proposed articles of incorporation should be modified so as to give the holders of preferred stock a right to notice of shareholder's meetings and the right to vote upon the election of directors or upon any question affecting

the management or affairs of the corporation, if and when the company for any twelve consecutive months fails to pay dividends on such stock in an amount equal to 5% of the par value of preferred stock outstanding. The right to notices of shareholder's meetings and to vote should continue until the holders of the preferred stock have received dividends for a period of twelve consecutive months. We have no objection to the proposed amended articles of incorporation if they are modified as herein indicated.

O R D E R

Port of Stockton Grain Terminal having asked permission to issue \$200,000. par value of its noncumulative 5% preferred stock, the Commission having considered applicant's request and being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of \$135,000. of such stock is reasonably required by applicant for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application, insofar as it involves the issue of \$65,000. of noncumulative <sup>preferred</sup> 5%/stock should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows:-

1. Port of Stockton Grain Terminal may, after the effective date hereof and prior to June 30, 1936, issue at not less than par to Stevenson Co., Inc., \$67,500. of its noncumulative 5% preferred stock for the purpose of paying \$67,500. of indebtedness due said Stevenson Co., Inc., and may issue to Delta Warehouse Company \$67,500. of its noncumulative 5% preferred stock, for the purpose of

paying \$67,500. of indebtedness due said Delta Warehouse Company.

2. The authority herein granted to issue stock shall become effective when Port of Stockton Grain Terminal has filed with the Commission a certified copy of its amended articles of incorporation granting the holders of said preferred stock the rights set forth in the foregoing opinion.
3. Within thirty(30) days after the issue of said \$135,000. of noncumulative 5% preferred stock, Port of Stockton Grain Terminal shall file with the Commission a report showing the date when it issued said stock, to whom it was issued and the purposes for which the same was issued.

DATED at San Francisco, California, this 10th day of February, 1936.

M. B. Davis  
Leon A. Whittell  
M. P. Linn  
W. H. ...  
Frank ...  
Commissioners.